

*Utah!*

*Where ideas connect*

# **Utah Travel Development Board**

## **State Tourism Office Funding Presentation**



# **PRESENTATION OVERVIEW**

**1. UTC Budget History & Trends**

**2. Tourism Tax Revenue History & Trends**

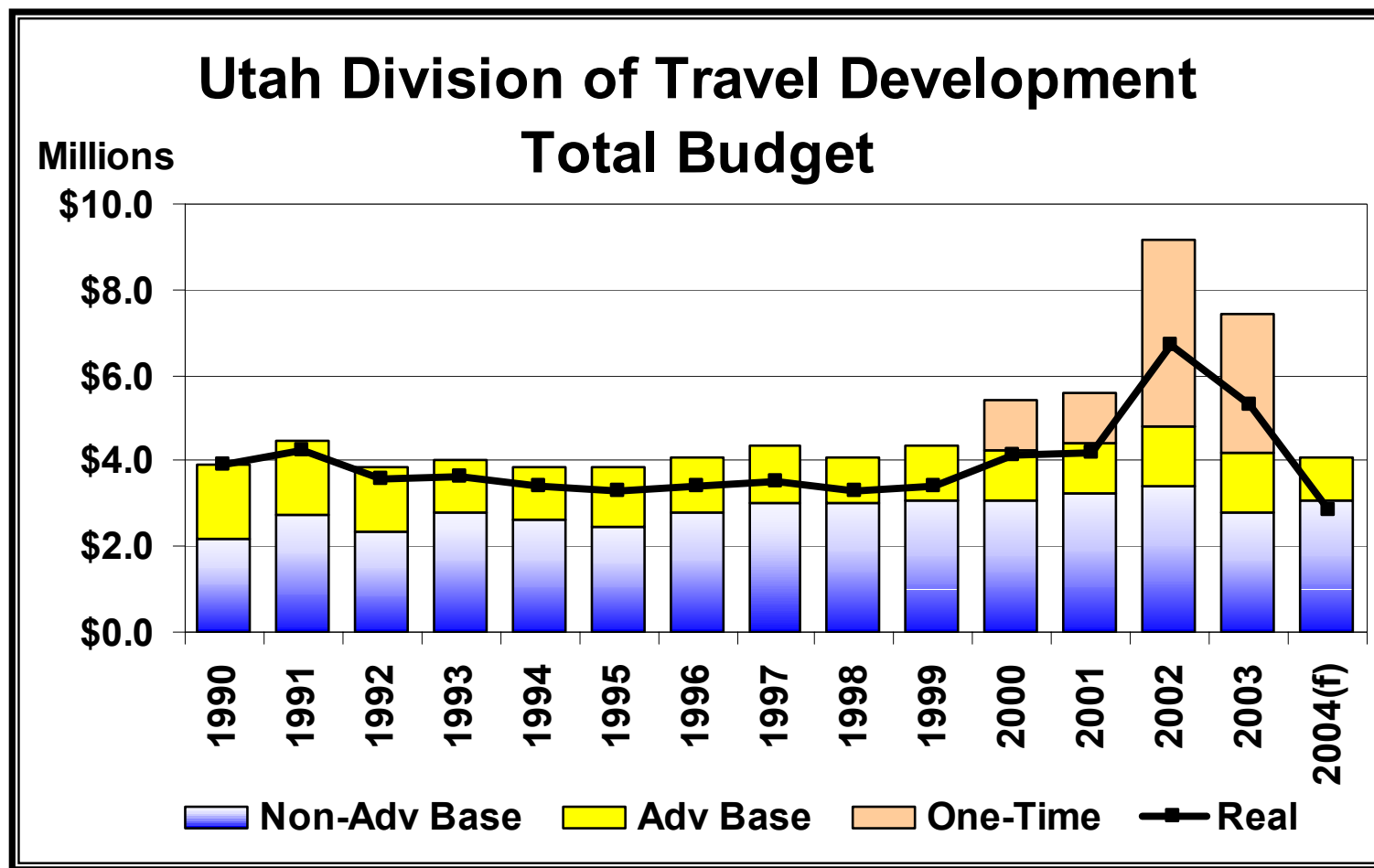
**3. Potential State Tourism Revenue Estimates**

**4. Plan Implementation & Benefits**

# UTC Budget History & Trends

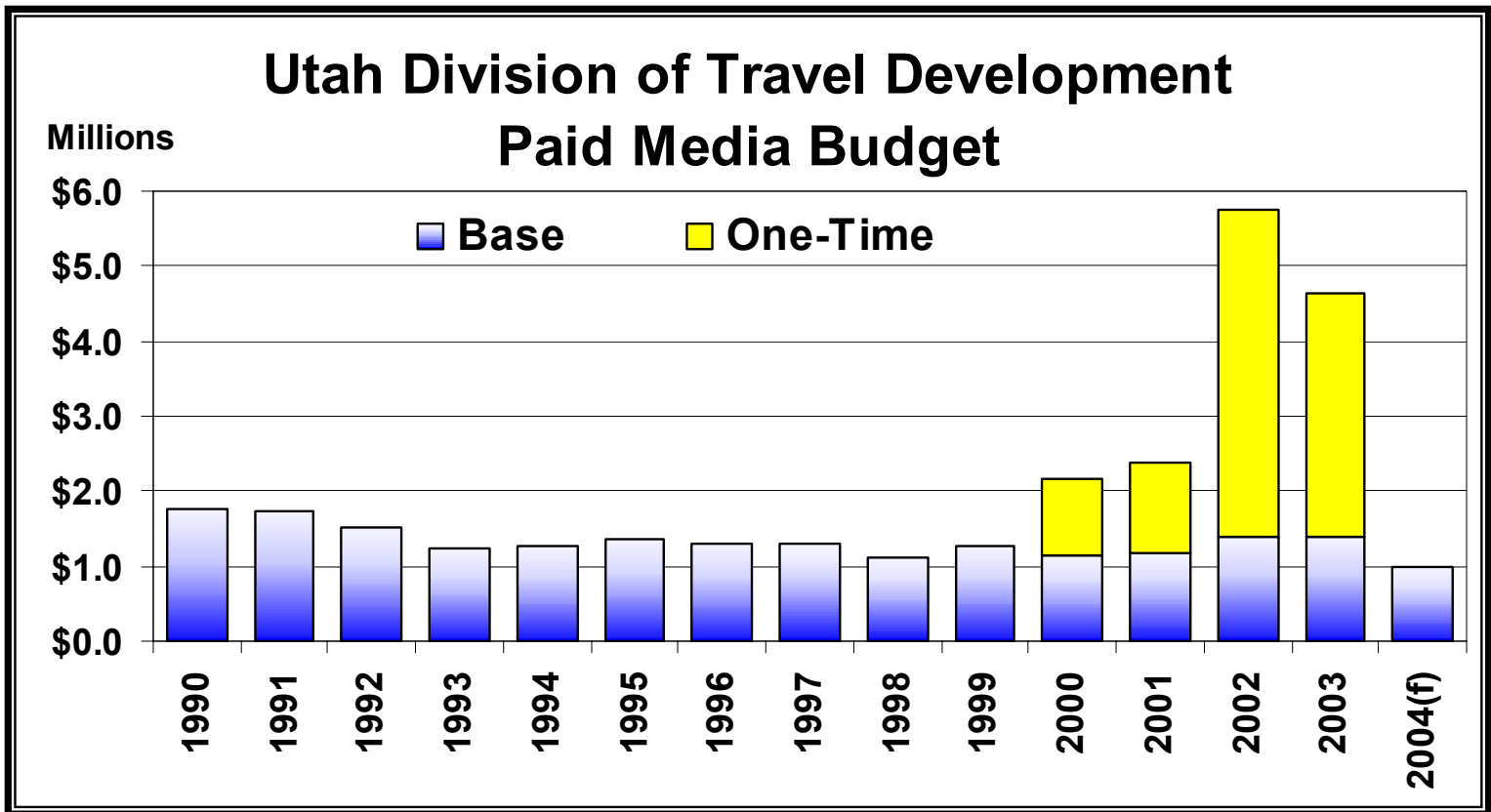


**Despite a series of Olympic-related one-time appropriations between FY 2000 and FY 2003, the Division's total budget will likely fall below \$4.0 million in FY 2004.**



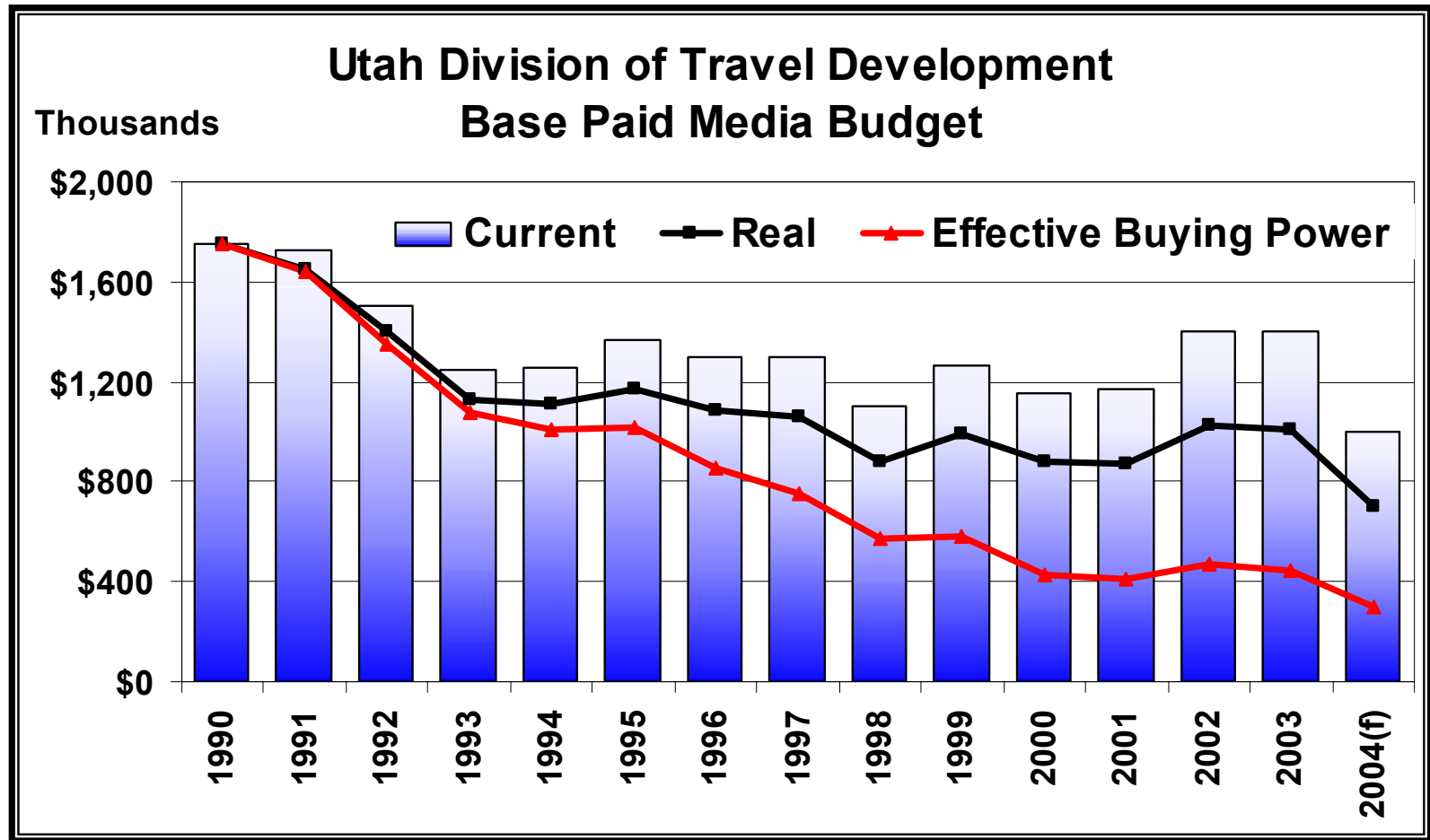
**Since 1990, the Division's total budget will have declined by 27% in real terms by FY 2004.**

**Despite a series of Olympic-related one-time appropriations between FY 2000 and FY 2003, the Division's total paid media budget will fall below \$1.0 million in FY 2004 -- its lowest level in the last fifteen years.**



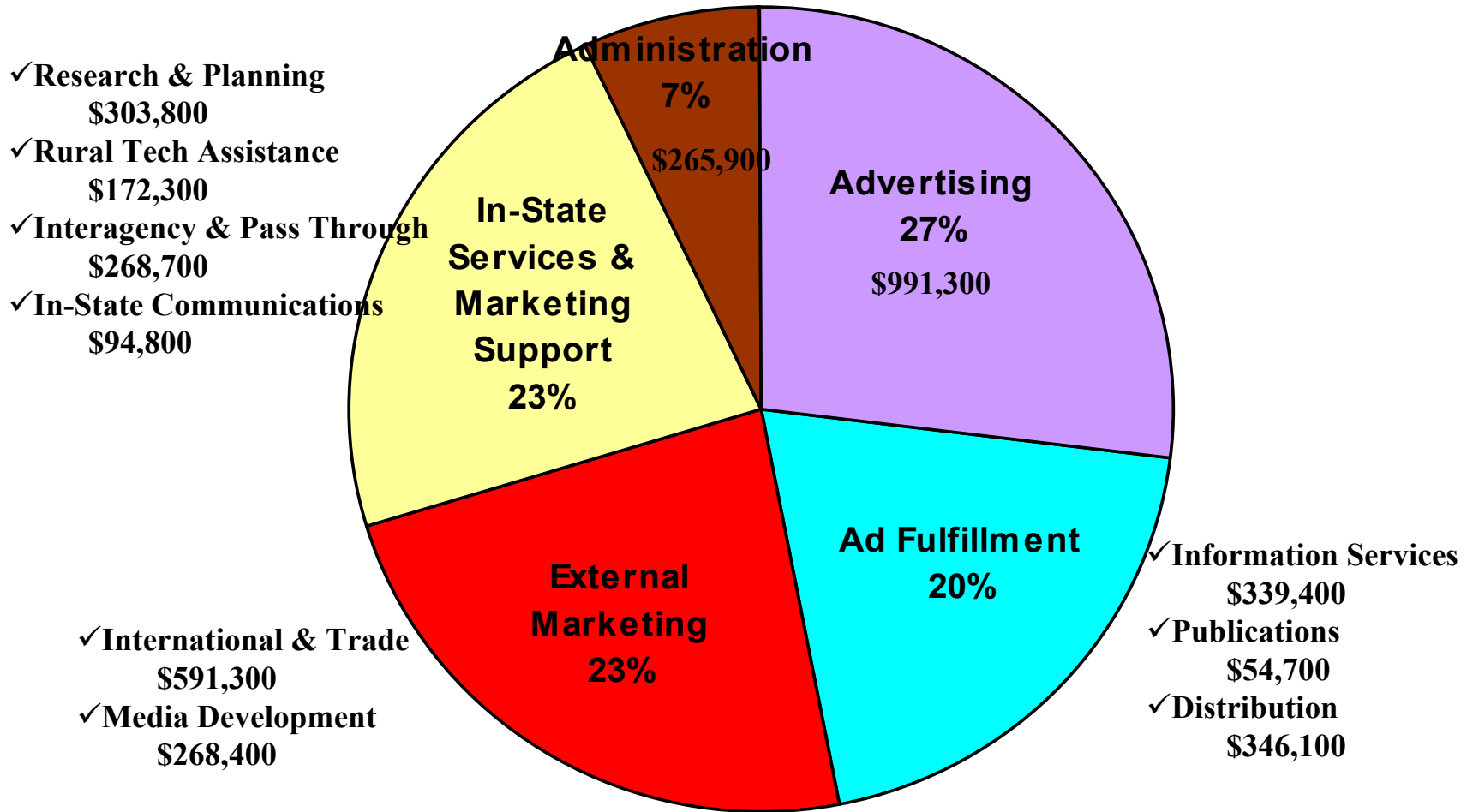
**One-time appropriations were received as part of the Tourism Marketing Performance Fund and the Division's Olympic Legacy Programs (1,000 Day Plan).**

**Since FY 1990, the Division's base paid media budget will have declined by 43% through FY 2004 in actual dollars and by 60% in real terms.**



**However, because media costs have risen dramatically, the effective buying power of the paid media budget has declined by 83% since FY 1990.**

# UTC On-Going General Fund Appropriation FY 2003 Base Budget Distribution



**TOTAL BASE APPROPRIATION: \$3,696,700**

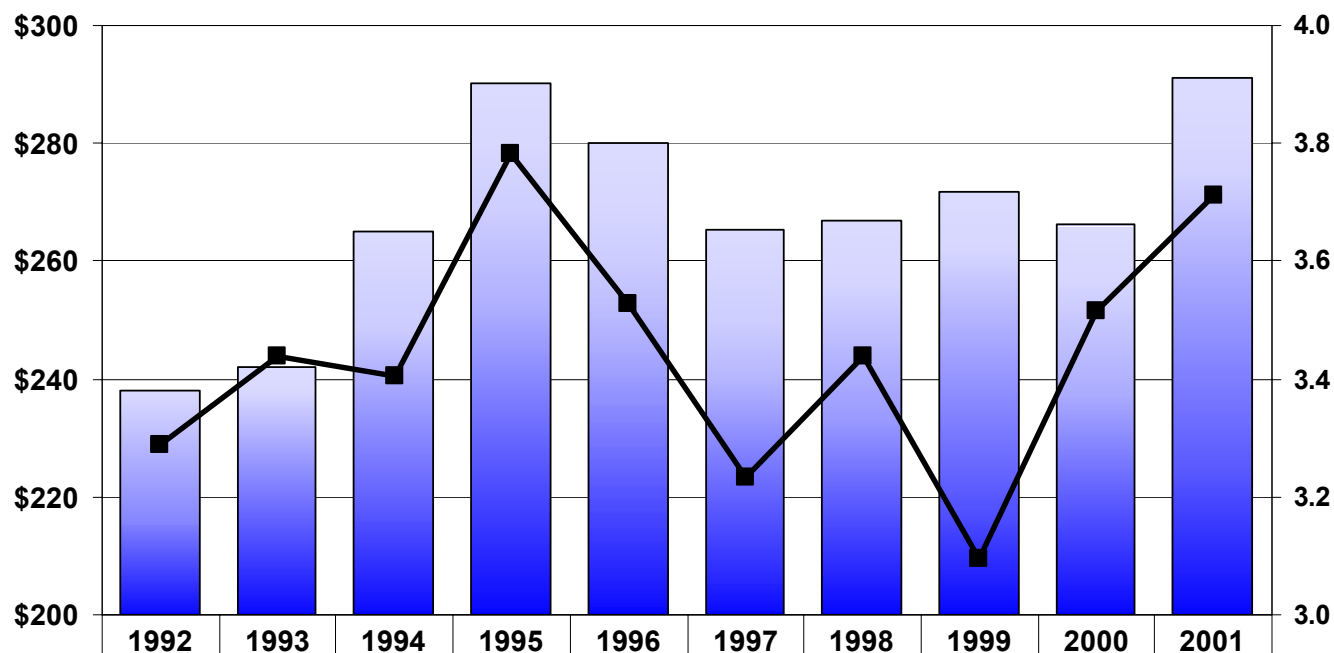
**Strategic targeting has attracted higher quality visitors...**

**1) Longer Stays**

**2) Higher Per-trip Spending**

**...but without reach and frequency necessary to offset declining market share.**

**Overnight Leisure Travel to Utah  
Length of Stay & Per-Trip Spending**



Length of Stay (R)

Trip Spending (L)

3.4

3.4

3.6

3.9

3.8

3.7

3.7

3.7

3.7

3.9

\$229

\$244

\$241

\$278

\$253

\$223

\$244

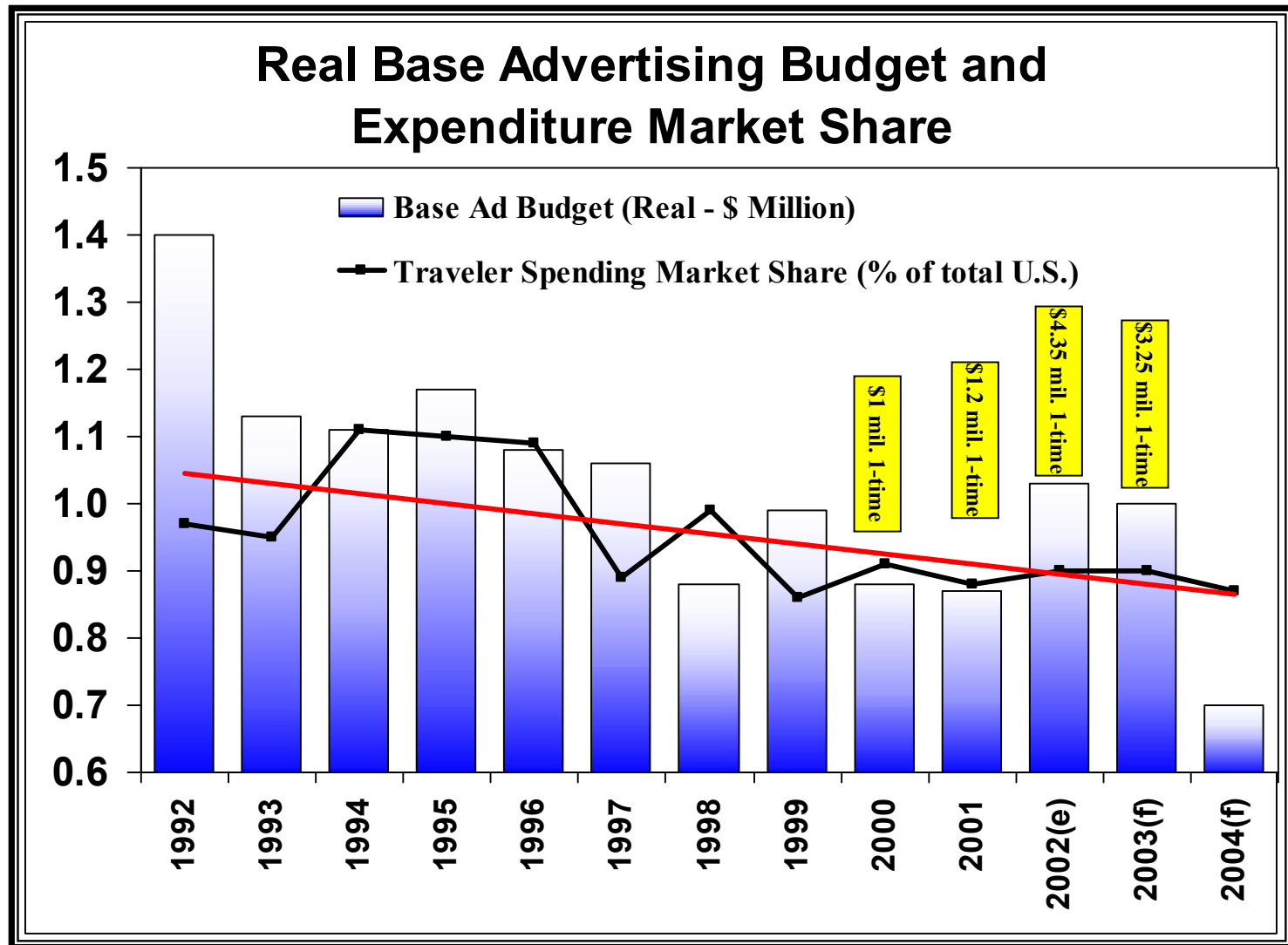
\$209

\$251

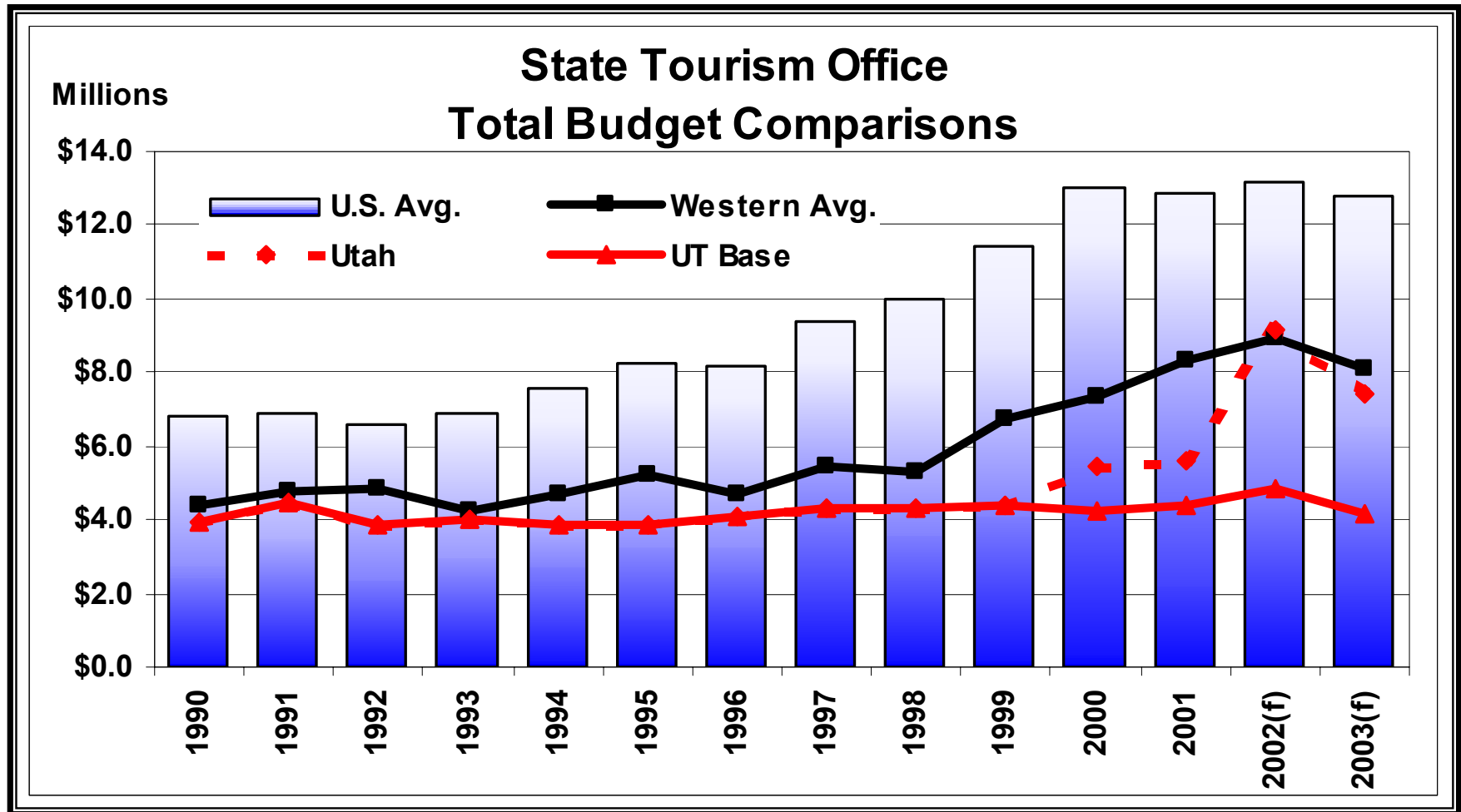
\$271



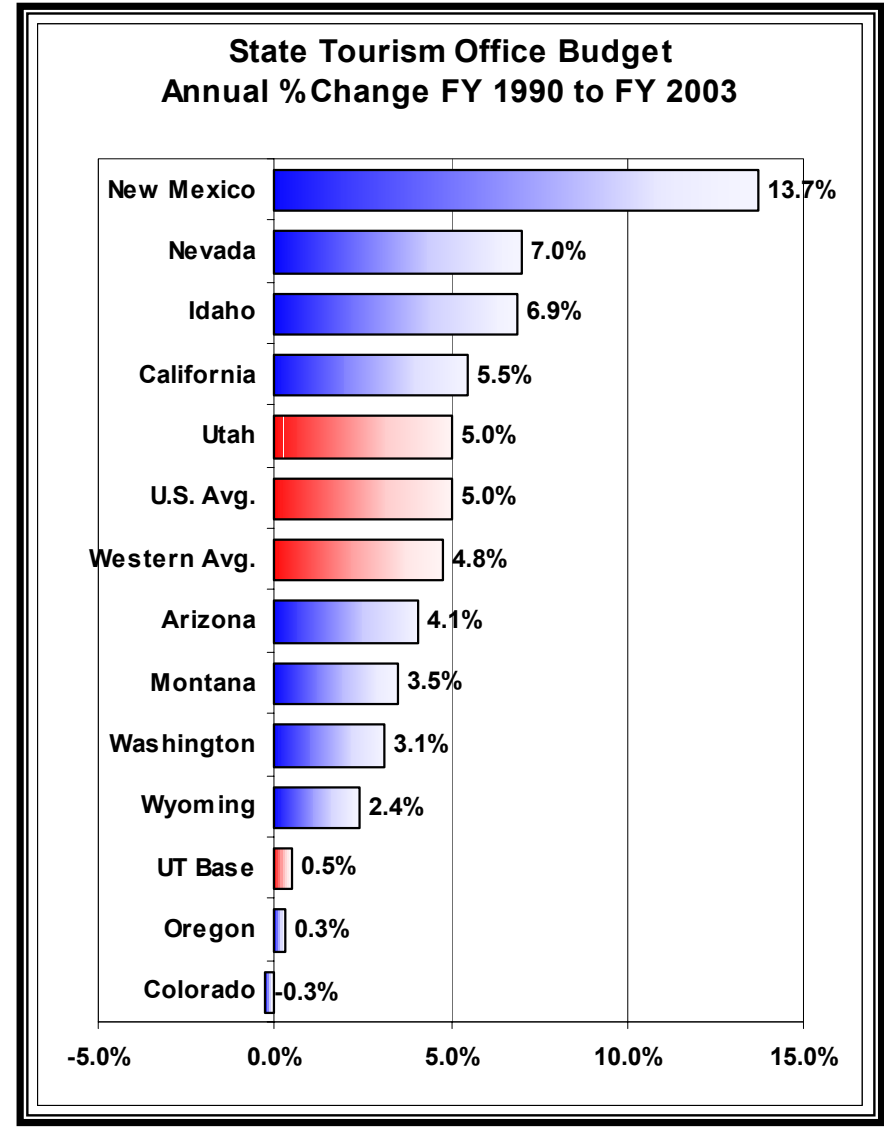
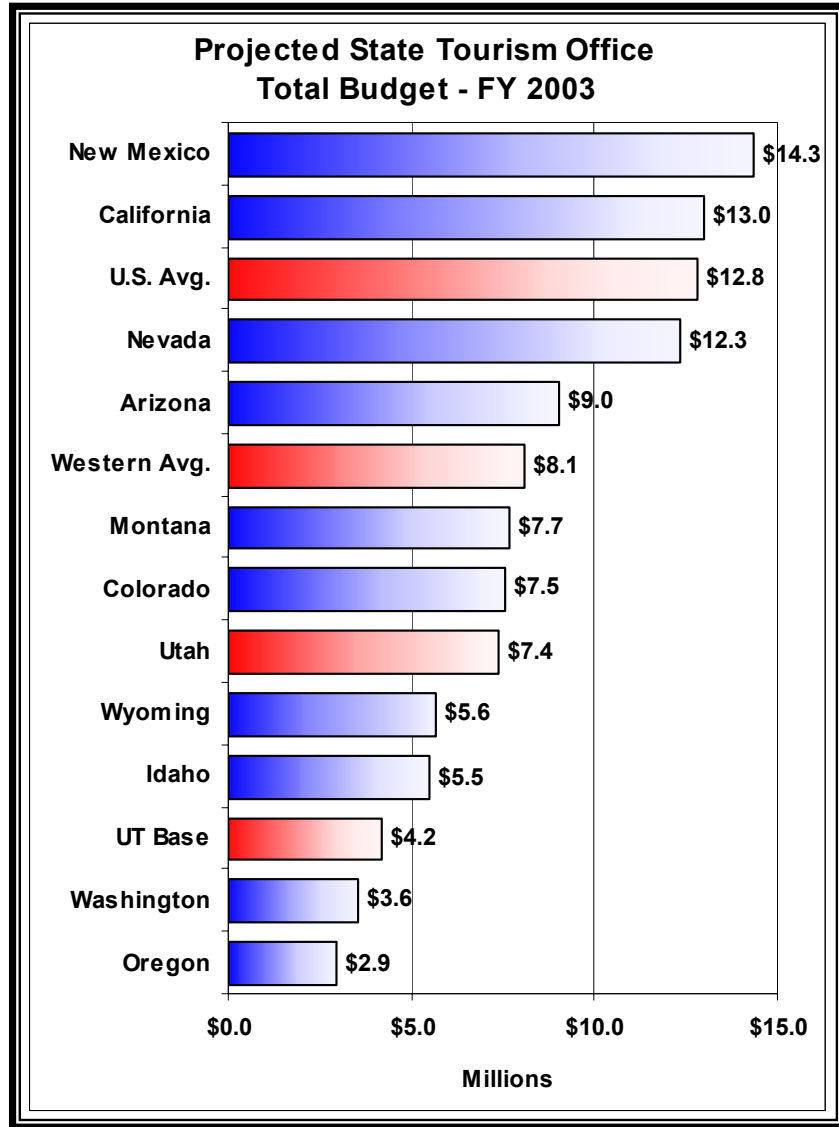
**Despite steady increase in visitor spending, Utah continues to lose market share (other destinations growing faster). Declining market share can in part be attributed to declining advertising budgets.**



**Recent one-time appropriations closed the gap between Utah and other western states, but base budgets remain half that of the western state average and a third of the U.S. average.**



# State Tourism Office Budget Comparisons



**FY 2003 budget raised Utah to average position...but only because of one-time funding.  
Base budget still significantly trails neighboring states.**

# Relationship Between Budgets and Market Share

**“Aggressive” funding is defined relative to the funding changes among all states. From 1986 to 1998, aggressively funded states experienced more than 125% budget growth.**

## Aggressive

MT

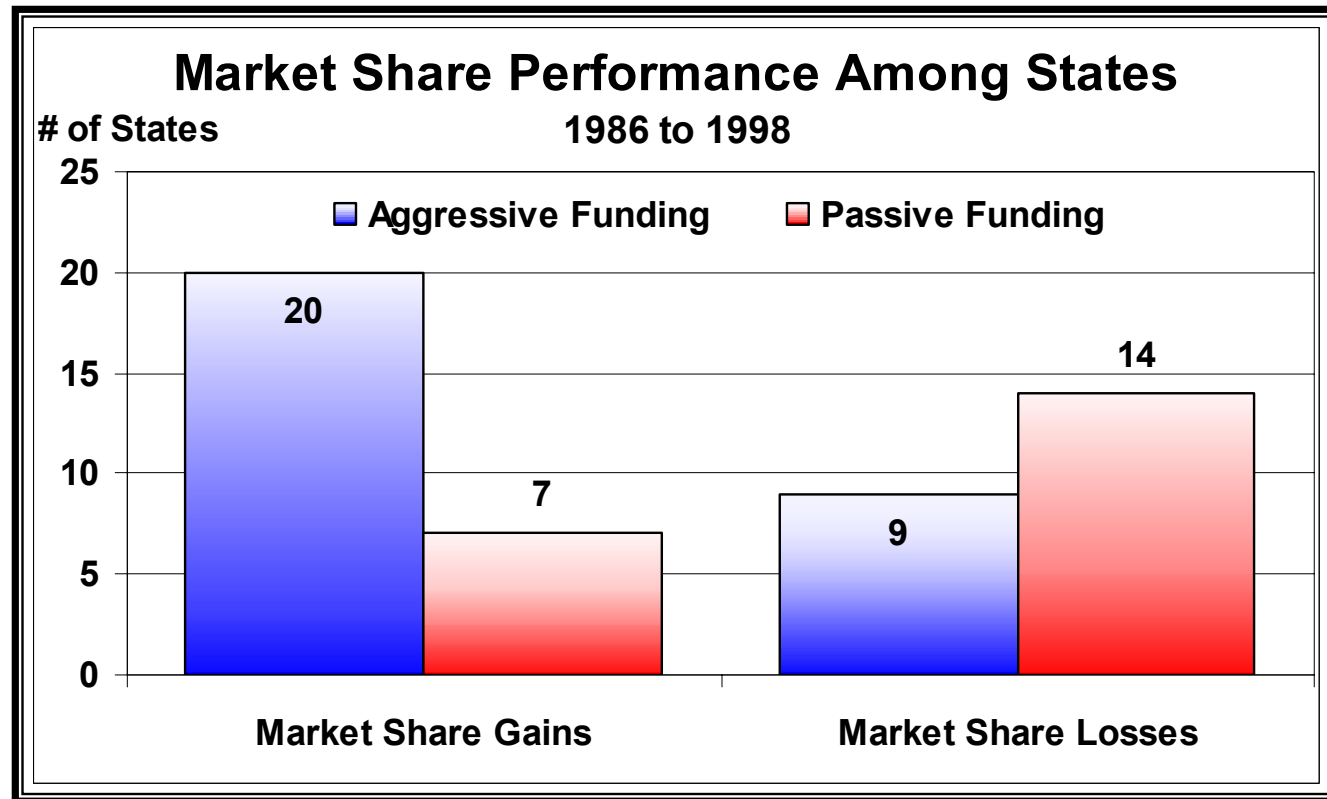
AZ

NV

ID

NM

4 of the 5  
↑ Market  
Share



## Passive

OR

WY

CA

WA

UT

CO

3 of the 6  
↓ Market  
Share

- Aggressively funded states twice as likely to realize market share gains
- Passively funded states twice as likely to suffer market share declines

# Investigating the Correlation Between Budgets and Market Share

## Case Study:



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**In 1993, Colorado voters eliminated the tourism promotion tax, resulting in the closure of Colorado's state tourism office. The results were catastrophic:**

- **Colorado's market share declined by 30% in just 2 years**
- **Colorado dropped from first place among states in the summer resort category in 1993 to 17th, and has not made the top ten since**
- **The state moved from a national fly-in destination to much more of a regional drive market**
- **In 1997 alone, lost market share resulted in \$2.4 billion in foregone tourism revenue and \$134 million in lost tax revenues**
- **All sectors impacted; even Denver lost 16% of its market share**

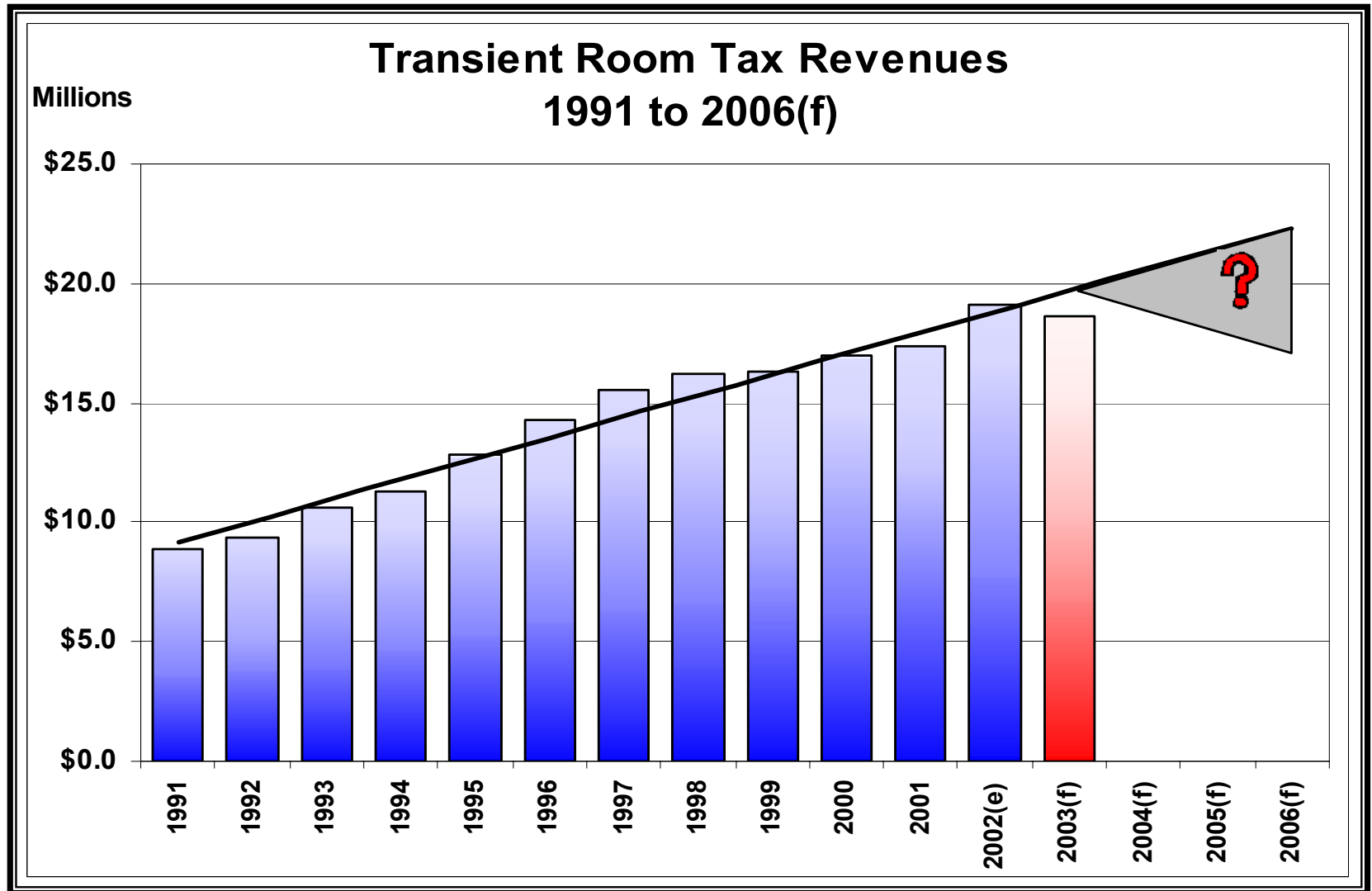
**Colorado restored funding for the state tourism office in 1998, but it has not been sufficient to capture lost market share.**

# Tourism Tax Revenues

## History & Trends

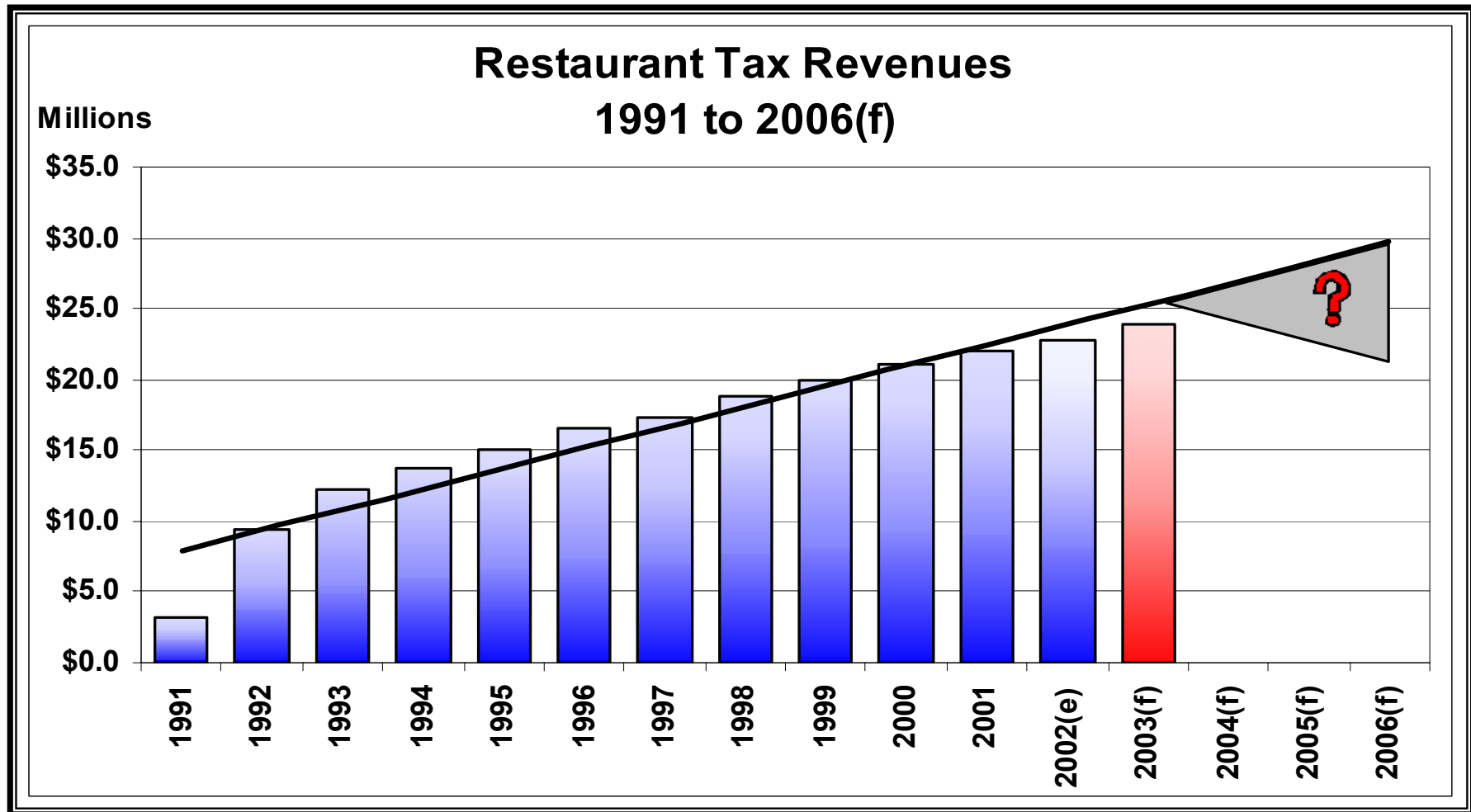


**TRT revenues will peak in FY 2002 because of Olympic boost.  
In FY 2003, revenue growth will likely decline slightly.**



**Revenues distributed to individual counties**

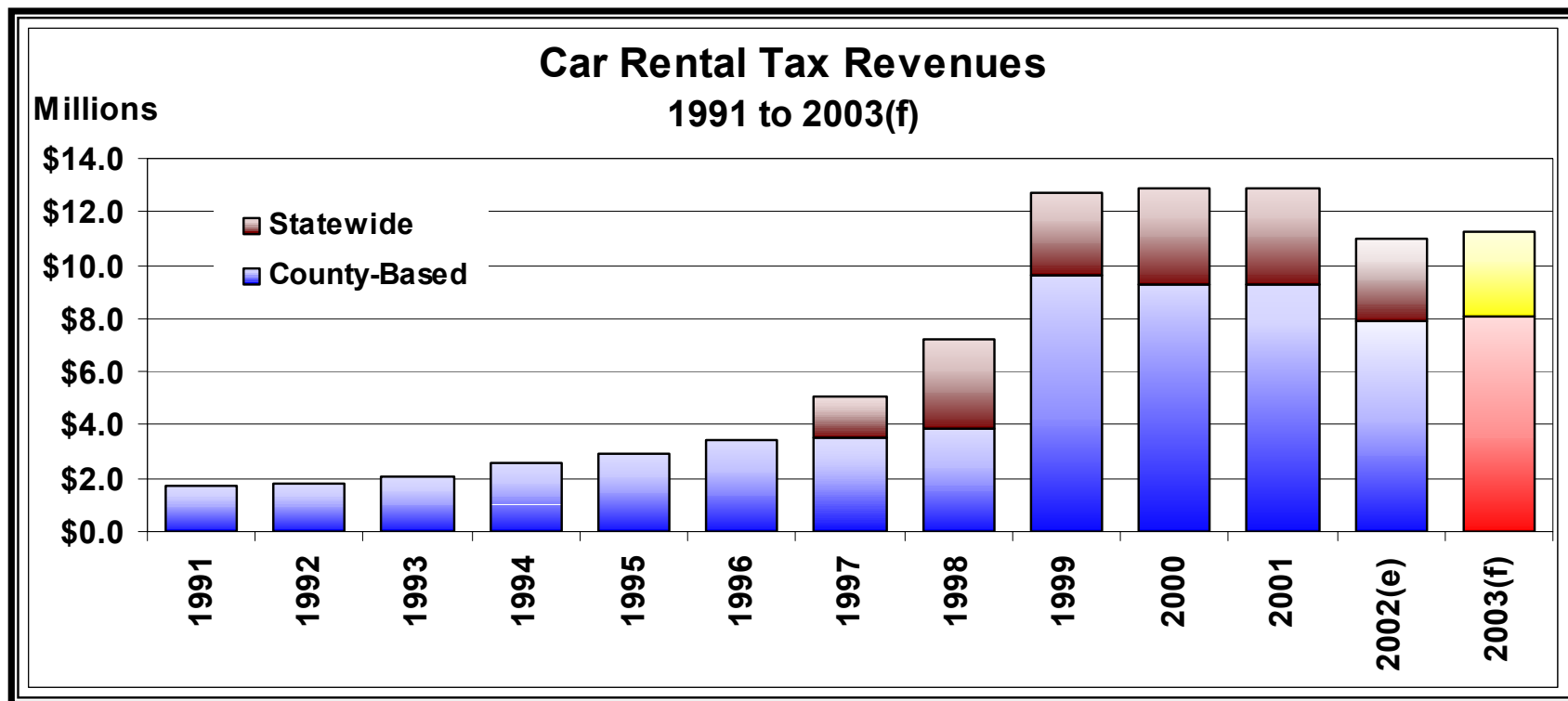
**After robust growth through 1990s, uncertain economic conditions will keep revenue growth rates more moderate through next several years.**



**Revenues distributed to individual counties**

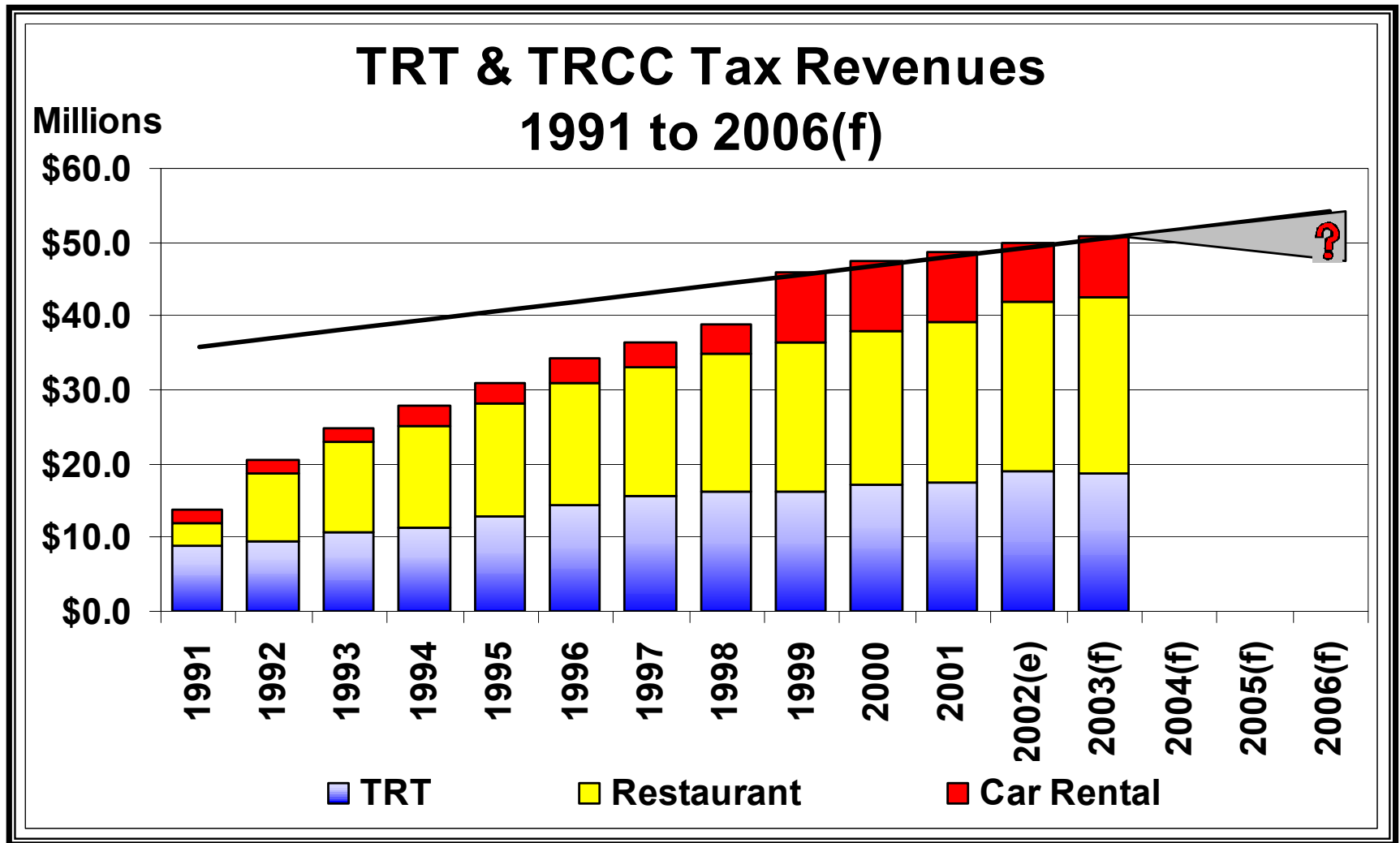


**Auto rental sector has seen almost no growth in 3 years. Lack of business travel and reduced air traffic continues to depress revenues. Revenues won't begin to rise until a recovery in business and air travel gains momentum.**



**Revenues distributed to individual counties and the Department of Transportation**

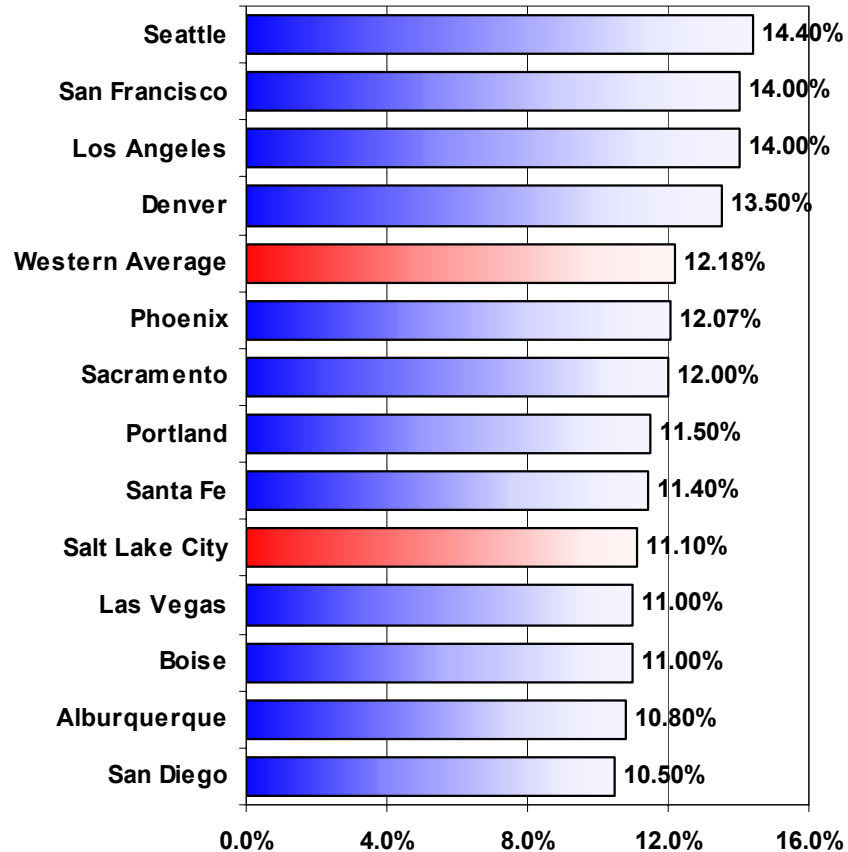
**Total TRT & TRCC tax revenues surpassed \$50 million in FY 2002.  
Growth has leveled off somewhat in the last five years and future  
gains are uncertain.**



**Revenues distributed to individual counties**

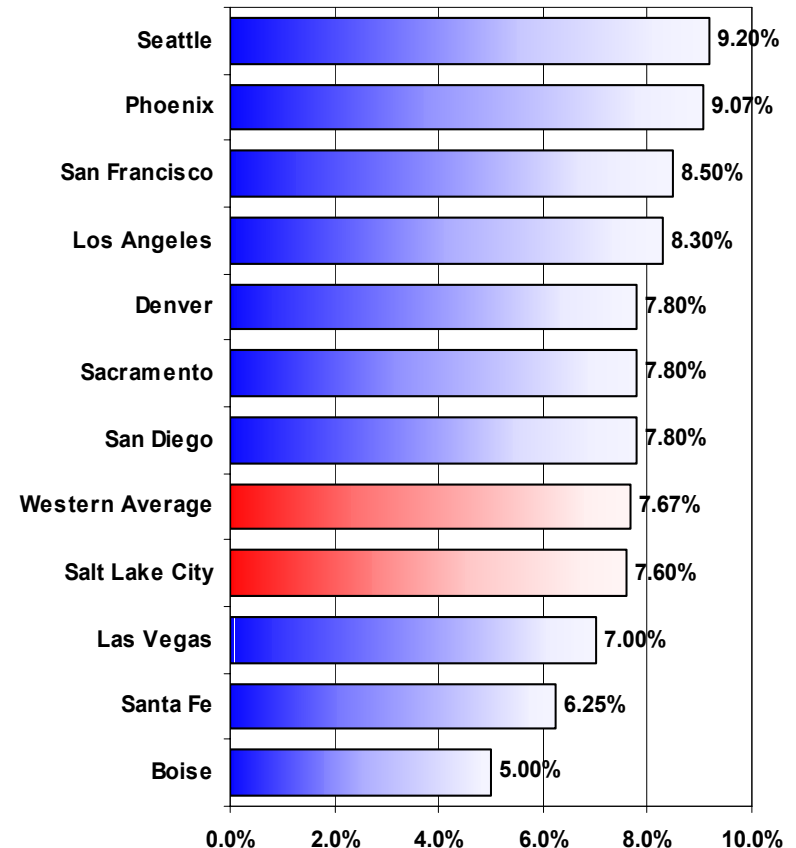
# Tax Rate Comparisons Among Major Western Cities

## Lodging Tax Rate Comparison



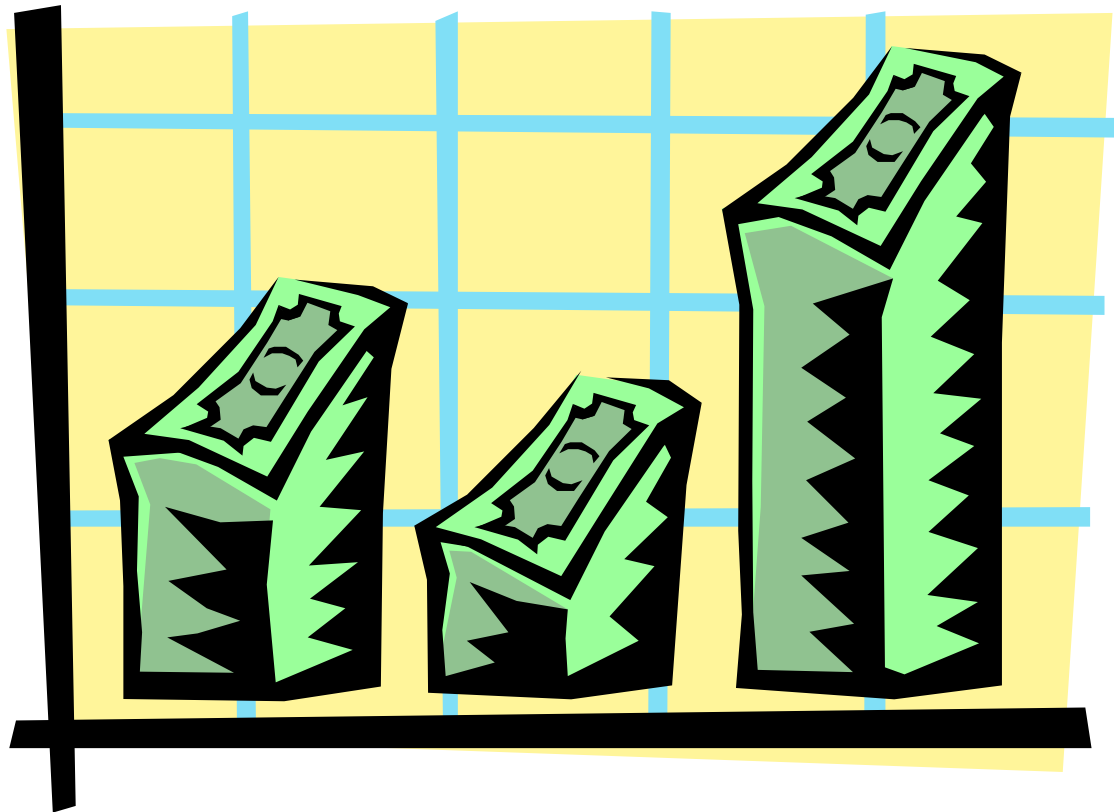
**Difference of 1.08% between SLC and Western City Average.**

## Restaurant Tax Rate Comparison

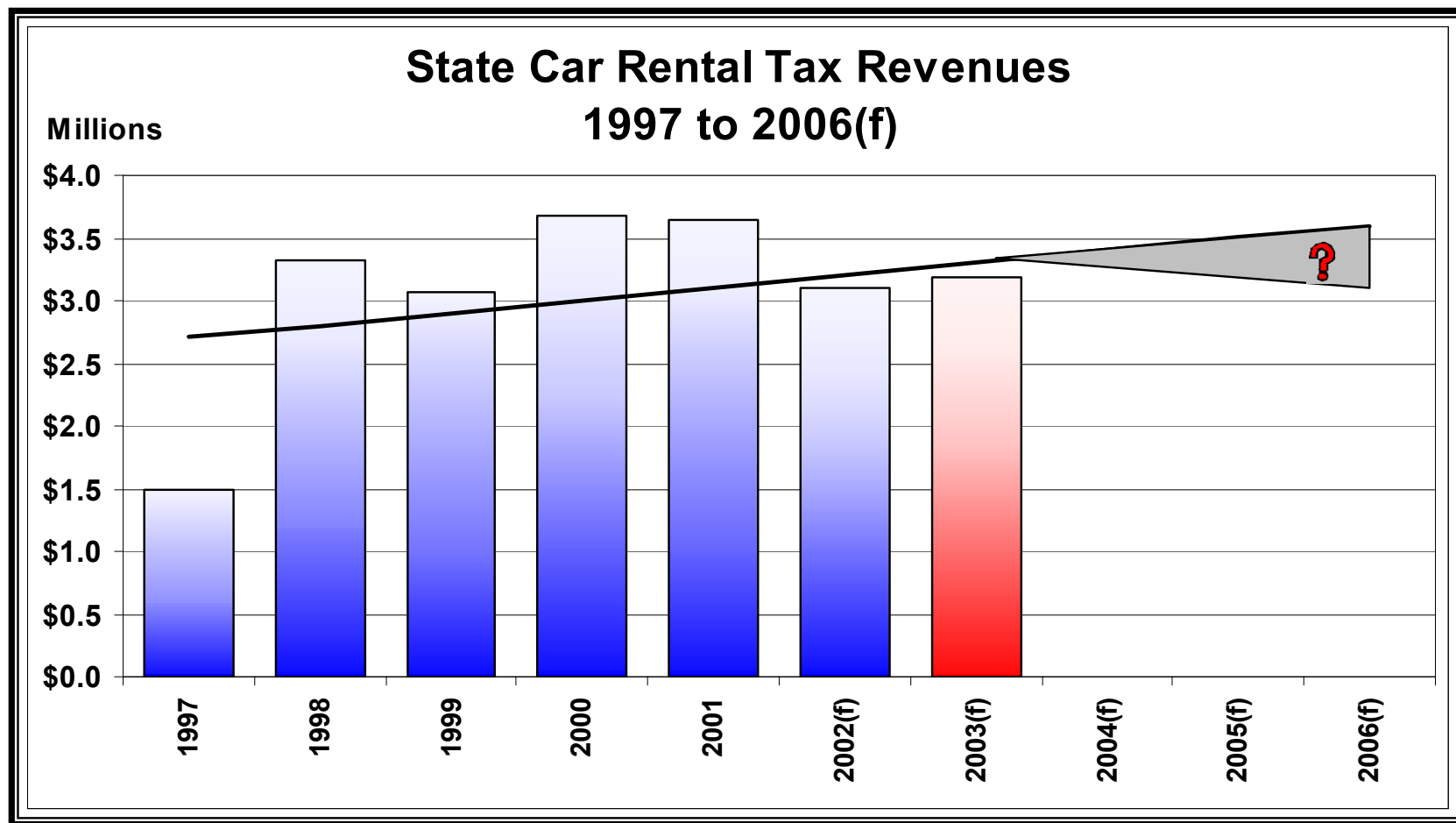


**Difference of 0.07% between SLC and Western City Average.**

# Potential State Tourism Revenue Sources & Estimates



**Revenue from State Car Rental Tax has fluctuated between \$3 and \$4 million since 1997 and will likely continue in that range.**



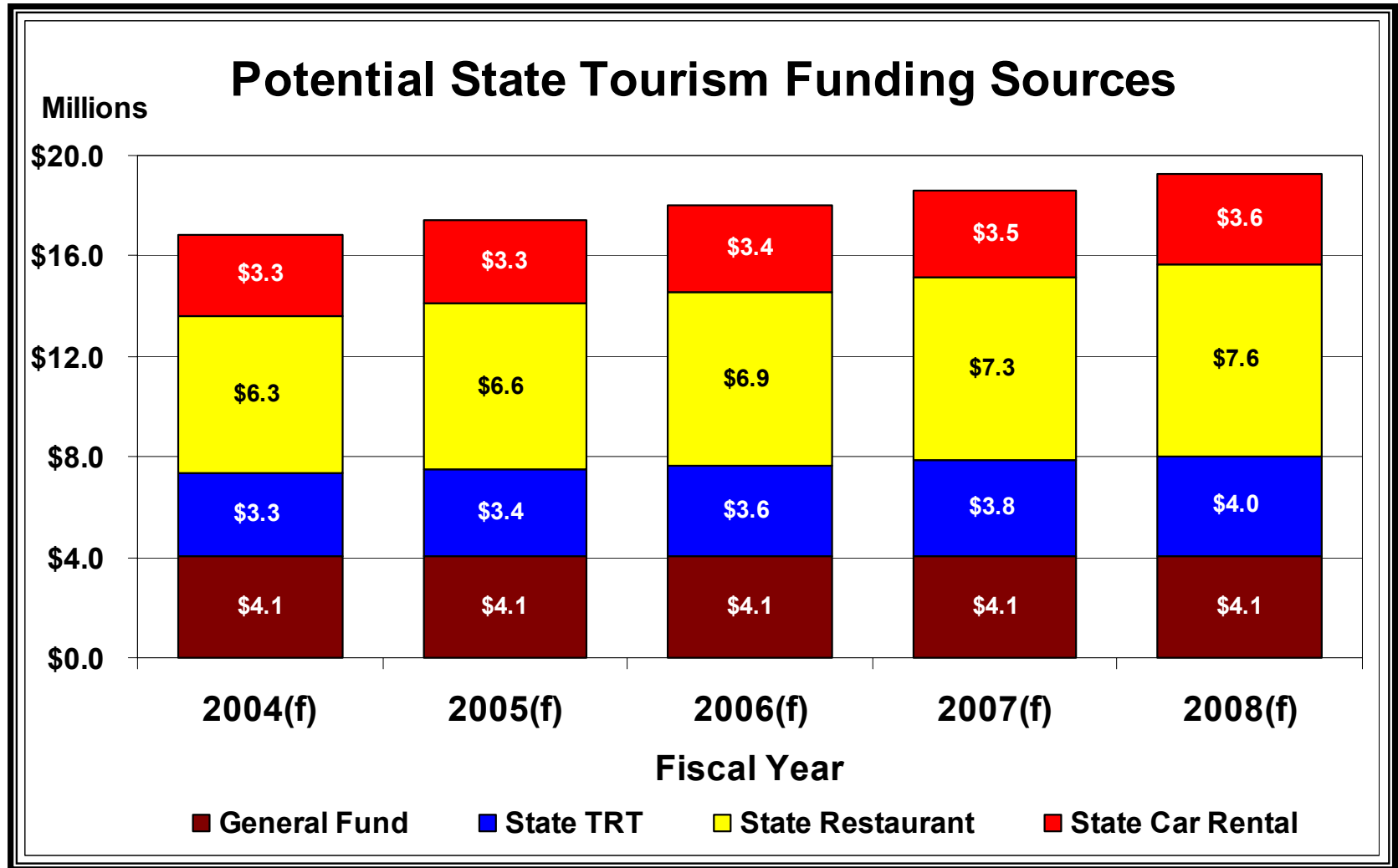
**Revenues currently dedicated to Department of Transportation**

# UTC DEDICATED FUNDING

## Potential Revenues (Millions)

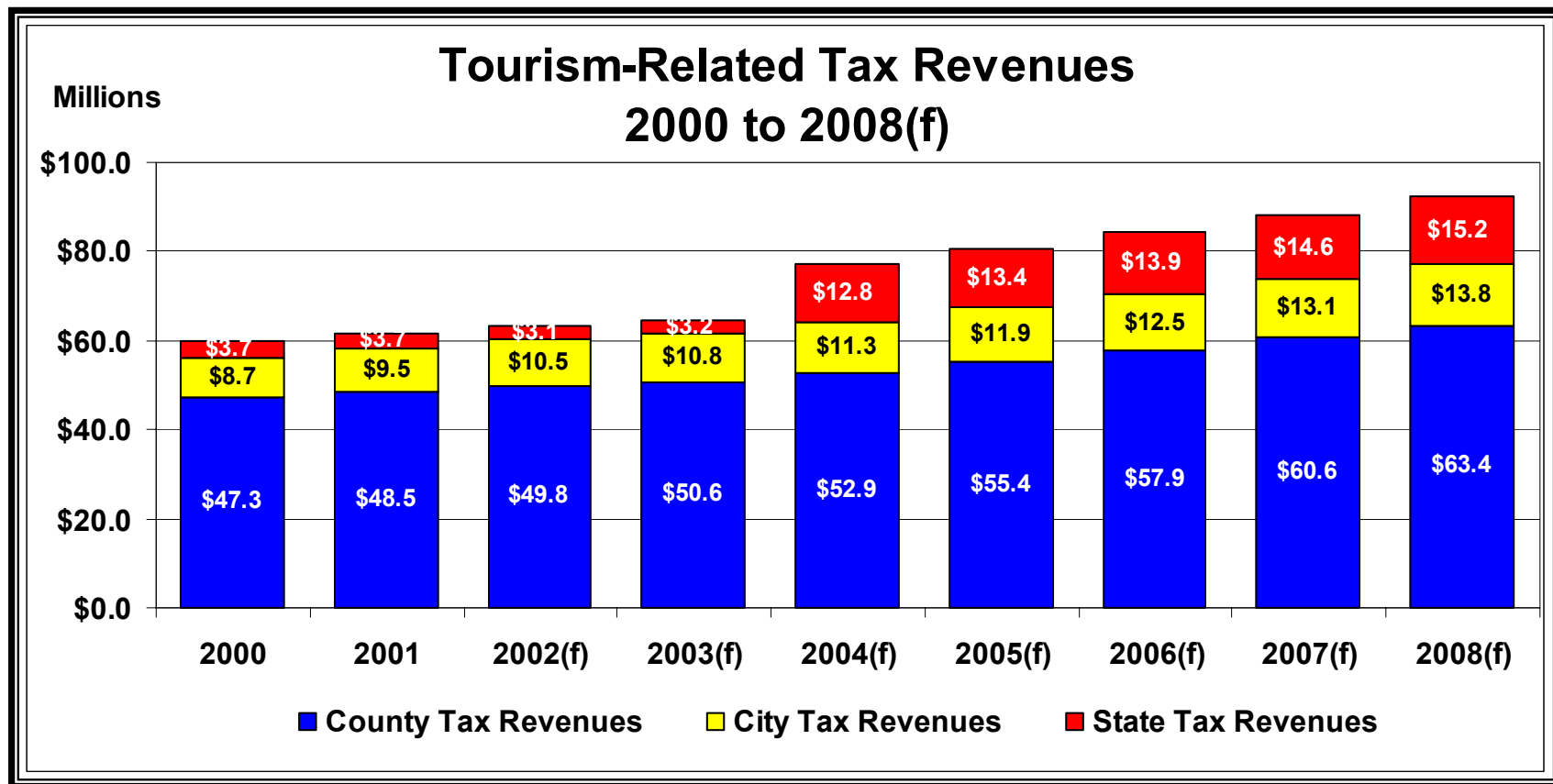
	0	1	2	3	4	5
NEW TAX REVENUE SOURCES	2004(f)	2004(f)	2005(f)	2006(f)	2007(f)	2008(f)
0.5% Statewide TRT	\$0.00	\$3.26	\$3.42	\$3.59	\$3.77	\$3.96
0.25% Statewide Restaurant Tax	\$0.00	\$6.29	\$6.60	\$6.93	\$7.28	\$7.64
<b>NEW TAX REVENUE TOTAL</b>	<b>\$0.00</b>	<b>\$9.55</b>	<b>\$10.02</b>	<b>\$10.52</b>	<b>\$11.05</b>	<b>\$11.60</b>
POTENTIAL REVENUE SOURCES						
Existing 2.5% State Car Rental Tax	\$0.00	\$3.26	\$3.34	\$3.42	\$3.51	\$3.60
<b>NEW REVENUES TOTAL</b>	<b>\$0.00</b>	<b>\$12.81</b>	<b>\$13.36</b>	<b>\$13.94</b>	<b>\$14.56</b>	<b>\$15.20</b>
UTC GENERAL FUND APPROPRIATIONS						
UTC Non-Advertising Budget	\$3.07	\$3.07	\$3.22	\$3.38	\$3.55	\$3.73
UTC Base Advertising Budget	\$1.00	\$1.00	\$0.85	\$0.69	\$0.52	\$0.34
<b>TOTAL UTC BUDGET (General Fund)</b>	<b>\$4.07</b>	<b>\$4.07</b>	<b>\$4.07</b>	<b>\$4.07</b>	<b>\$4.07</b>	<b>\$4.07</b>
<b>COMBINED TOTAL</b>	<b>\$4.07</b>	<b>\$16.88</b>	<b>\$17.43</b>	<b>\$18.01</b>	<b>\$18.63</b>	<b>\$19.27</b>
UTC Non-Advertising Budget	\$3.07	\$3.07	\$3.22	\$3.38	\$3.55	\$3.73
UTC Advertising Budget	\$1.00	\$13.81	\$14.21	\$14.63	\$15.08	\$15.54

# Scenario 1: Potential UTC Funding



**Revenue sources evenly distributed.**

**Cities, counties, and the state all receive benefits from statewide investment in tourism marketing.**



**County Tax Revenues:** TRT (29), Restaurant Tax (25), and Car-Rental Tax (10)

**City Tax Revenues:** Municipal TRT (23) & Resort Communities Sales Tax (14)

**State Tax Revenues:** Motor Vehicle Rental Tax and Proposed Tax Increases & Adjustments



# Real Impact of Tourism Tax Rate Increases...

## \$85 Room Rate

**+0.5% TRT = +\$0.43 on room price**

## \$5.00 Big Mac Value Meal

**+0.25% RT = +\$0.013**

## \$100 Steak Dinner

**= +\$0.25**

# Why Now?



# Why Now?

- **Olympic Momentum**
- **Gain Market Share**
- **Increase State, County, and City Revenue**
  - ✓ Sales Taxes (State, County, and City portions)
  - ✓ TRT, TRCC, and Car Rental Taxes
  - ✓ Gas Tax
  - ✓ Income Tax & Payroll Taxes
- **Increase Industry Revenue**
  - ✓ Sales
  - ✓ Occupancy
  - ✓ Revenue per customer

# **Why Now? – Olympic Momentum**

## **Post-Olympic Research – Key Findings**

- **Roughly 7.1 million more adults say they are likely to vacation in Utah than before the 2002 Games**
- **Utah is more recognized today for its scenic beauty, mountains, winter sports, ski resorts, cleanliness, and friendly people after exposure through the Games**
- **Among executives, recognition of the quality workforce in Utah as a driver for relocation or expansion doubled**

**SOURCE: Wirthlin Worldwide**

# Why Now? – Olympic Momentum

## Post-Olympic Research – Key Findings

- Strong potential for association of *Utah!* brand values of “Discovery & Recovery” with Olympic values and memories
- “Aspire & Inspire” are key leverage points in extending the Olympic Halo for the *Utah!* brand
- Window of opportunity is short – about 2 years

*Utah!*

*Where ideas connect*



SALT LAKE 2002



TM © 1997 IOC

SOURCE: VomBaur/Kagle

**HOW MUCH?**

**\$20+ MILLION**

# **MEDIA BUDGET INCREASES COULD BE INVESTED IN...**

## **1. More Statewide Branding...**

- **Additional Reach and Frequency in Key Markets**
  - ✓ **Potential Television Presence**
  - ✓ **More Prominent Print Placement**
  - ✓ **Targeted Internet Promotion**

## **2. More Co-operative Promotion...**

- **Leverage promotion efforts of local and regional groups and private-sector businesses**
  - ✓ **Common Markets and Objectives**
  - ✓ **Unified Messaging**

# **LIKELY IMPACT OF \$20 MILLION MEDIA INVESTMENT...**

- **Increased marketing would encourage more than 4 million additional visitors to the state!**
- **Additional visitors would spend \$1.4 billion for Utah businesses!**
- **Tax revenues would increase by \$108 million!**
  - State Tax Revenues: \$80 million**
  - Local Tax Revenues: \$28 million**
- **Program returns \$4 to state government for ever \$1 invested!**

**ROI = 4:1**

- **Utah would increase its market share!**



# WHO BENEFITS?

## ➤ **State Government**

- ✓ Additional tax revenues for transportation, education, and other General Fund needs
- ✓ High velocity economic development
- ✓ Statewide distribution of additional jobs, income, and services
- ✓ Enhanced reputation for high quality of life

## ➤ **Local Government**

- ✓ Additional tax revenues for local needs
- ✓ Revenue generation without significantly expanded services
- ✓ Diversified economic base
- ✓ Enhanced community pride

# WHO BENEFITS?

## ➤ **Utah Tourism Industry**

- ✓ **Improve Workforce Quality**
- ✓ **Reduce Seasonal Fluctuations**
- ✓ **Increased Revenues**
- ✓ **Increased Margins**
- ✓ **Branding Message Complements Destination Marketing**

## ➤ **Utah Citizens**

- ✓ **Reduced tax burden**
- ✓ **Additional jobs, incomes, and amenities**
- ✓ **Preservation of communities and quality of life**

# The Plan



# **MOVING FORWARD...**

- 1. Increase annual Travel Development budget to \$20+ million**
- 2. Focus on the objective, not personality or history**
- 3. Obtain necessary funds by:**
  - ✓ **Statewide TRT of 0.5%**
  - ✓ **Statewide Restaurant Tax of 0.25%**
  - ✓ **Re-allocate State Car-Rental Tax**
  - ✓ **Equalize Restaurant Tax to include in-store delis and convenience stores**
- 4. Support current TRT and TRCC distribution**
- 5. Travel Development Board becomes a policy board with Governor appointments, specific industry representatives, and local government participation**
- 6. State continues to provide General Fund revenues for Division fulfillment and staffing**

# **DISCUSSION & CONCLUSION**

# IN CONCLUSION...

- 1. Secure growth-oriented source of Funding for Strong, Aggressive Positioning of the Utah! Brand**
- 2. Oversight, Direction and Authority for the Branding Program by a Strong Board of Travel Development Represented by the Tourism Industry Segments Providing the Funds**
- 3. Improved Market Share in an increasingly Competitive Marketplace**
- 4. Exponential Increase in Frequency and Reach of Utah! Brand Message**